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# **CITY OF ST. MARTINVILLE, LOUISIANA**

## **Financial Report**

**Year Ended June 30, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/30/08

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)	
Statement of net assets	5
Statement of activities	6
FUND FINANCIAL STATEMENTS (FFS)	
Balance sheet - governmental funds	9
Reconciliation of the governmental funds balance sheet to the statement of net assets	10
Statement of revenues, expenditures, and changes in fund balances- governmental funds	11
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	12
Statement of net assets - proprietary fund	13
Statement of revenues, expenses, and changes in fund net assets - proprietary fund	14
Statement of cash flows - proprietary fund	15-16
Notes to basic financial statements	17-37
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund - budgetary comparison schedule	39-40
Sales Tax Special Revenue Fund - budgetary comparison schedule	41

## TABLE OF CONTENTS

	<u>Page</u>
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Nonmajor fund information:	
Balance sheet - nonmajor governmental funds	44
Statement of revenues, expenditures and changes in fund balances - nonmajor governmental funds	45
<b>COMPLIANCE, INTERNAL CONTROL AND OTHER INFORMATION</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	47-48
Summary of prior and current year audit findings and management's corrective action plan	49-50

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## INDEPENDENT AUDITORS' REPORT

WEB SITE:  
[WWW.KCSRCPAS.COM](http://WWW.KCSRCPAS.COM)

The Honorable Thomas Nelson, Mayor  
and Members of the City Council  
City of St. Martinville, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Martinville, Louisiana, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Martinville, Louisiana's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Martinville, Louisiana, as of June 30, 2007, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2007, on our consideration of the City of St. Martinville, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over

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financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The required supplementary information on pages 38 through 41 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City of St. Martinville has not presented management's discussion and analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Martinville, Louisiana's basic financial statements. The other supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Breaux Bridge, Louisiana  
October 15, 2007

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS (GWFS)**

## CITY OF ST. MARTINVILLE

Statement of Net Assets  
June 30, 2007

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and interest-bearing deposits	\$ 688,674	\$ 354,930	\$ 1,043,604
Investments	134,512	237,220	371,732
Receivables, net	132,662	1,250,506	1,383,168
Due from other governmental units	166,799	-	166,799
Inventories	14,447	137,188	151,635
Prepaid items	25,527	21,550	47,077
Deferred charges	28,825	-	28,825
Deposits	-	12,000	12,000
Total current assets	<u>1,191,446</u>	<u>2,013,394</u>	<u>3,204,840</u>
Noncurrent assets:			
Restricted assets:			
Cash and interest-bearing deposits	200,826	784,448	985,274
Capital assets, net	<u>4,002,616</u>	<u>7,831,280</u>	<u>11,833,896</u>
Total noncurrent assets	<u>4,203,442</u>	<u>8,615,728</u>	<u>12,819,170</u>
Total assets	<u>5,394,888</u>	<u>10,629,122</u>	<u>16,024,010</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	63,586	564,242	627,828
Accrued expenses	56,044	28,921	84,965
Accrued interest payable	12,077	7,391	19,468
Compensated absences payable	134,107	43,309	177,416
Internal balances	(54,577)	54,577	-
Customer deposits	-	309,267	309,267
Capital lease payable	-	11,852	11,852
Bonds payable	<u>187,000</u>	<u>140,000</u>	<u>327,000</u>
Total current liabilities	<u>398,237</u>	<u>1,159,559</u>	<u>1,557,796</u>
Noncurrent liabilities:			
Bonds payable	1,007,000	765,000	1,772,000
Capital lease payable	-	27,912	27,912
Total noncurrent liabilities	<u>1,007,000</u>	<u>792,912</u>	<u>1,799,912</u>
Total liabilities	<u>1,405,237</u>	<u>1,952,471</u>	<u>3,357,708</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,995,616	7,026,516	10,022,132
Restricted for debt service	1,749	327,790	329,539
Restricted for other	394,017	-	394,017
Unrestricted	<u>598,269</u>	<u>1,322,345</u>	<u>1,920,614</u>
Total net assets	<u>\$3,989,651</u>	<u>\$8,676,651</u>	<u>\$ 12,666,302</u>

The accompanying notes are an integral part of this statement.



CITY OF ST. MARTINVILLE

Statement of Activities  
For the Year Ended June 30, 2007

Activities	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental activities:						
General government	\$ 557,875	\$ 7,115	\$ 400	\$ -	\$ (550,360)	\$ (550,360)
Public safety	867,728	75,104	39,732	-	(752,892)	(752,892)
Public works	952,707	363,866	64,046	-	(524,795)	(524,795)
Culture and recreation	296,851	36,011	-	-	(260,840)	(260,840)
Tourism	259,841	30,989	-	-	(228,852)	(228,852)
Urban redevelopment housing	266,555	-	264,328	-	(2,227)	(2,227)
Interest on long-term debt	84,530	-	-	-	(84,530)	(84,530)
Total governmental activities	3,286,087	513,085	368,506	-	(2,404,496)	(2,404,496)
Business-type activities:						
Electric	5,878,105	6,872,146	-	-	994,041	994,041
Water	573,725	593,970	-	-	20,245	20,245
Wastewater	424,363	599,992	56,000	-	231,629	231,629
Total business-type activities	6,876,193	8,066,108	56,000	-	1,245,915	1,245,915
Total	\$ 10,162,280	\$ 8,579,193	\$ 424,506	\$ -	(2,404,496)	(1,158,581)
General revenues:						
Taxes -						
Property taxes, levied for general purposes					168,137	168,137
Sales and use taxes, levied for general purposes					922,693	922,693
Occupational					226,855	226,855
Franchise taxes					60,885	60,885
Interest and investment earnings					43,628	43,628
Miscellaneous					186,804	186,804
Transfers					(951,438)	(951,438)
Total general revenues and transfers					2,712,120	(721,006)
Change in net assets					307,624	524,909
Net assets - July 1, 2006					3,682,027	8,151,742
Net assets - June 30, 2007					\$ 3,989,651	\$ 8,676,651

The accompanying notes are an integral part of this statement.

**FUND FINANCIAL STATEMENTS (FFS)**

## **FUND DESCRIPTIONS**

### **MAJOR FUNDS**

#### **General Fund**

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

#### **Special Revenue Fund**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

#### **Sales Tax Fund -**

To account for the receipt and use of proceeds of the City's 1% sales and use tax. This tax is dedicated as described in Note 6.

#### **Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of resources for the payment of general obligation bonds, general obligation refunding bonds, sales tax refunding bonds and certificates of indebtedness. Financing is provided by an ad valorem tax and transfers from the Sales Tax Fund and the Utility Fund.

#### **Enterprise Fund**

#### **Utility Fund -**

To account for the provision of electricity, water, and wastewater services to residents of the City and operations of the electrical, water and wastewater plants.

### **NONMAJOR FUNDS**

The Capital Projects Fund and Section 8 Fund are presented as nonmajor funds. Information about these funds can be found on page 43.

## CITY OF ST. MARTINVILLE

Balance Sheet  
 Governmental Funds  
 June 30, 2007

	General	Sales Tax Special Revenue	Debt Service	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and interest-bearing deposits	\$ 336,092	\$ 235,923	\$ 200,826	\$ 116,659	\$ 889,500
Investments	134,512	-	-	-	134,512
Receivables:					
Taxes and licenses	-	90,743	-	-	90,743
Due from other governmental units	136,411	-	-	30,388	166,799
Due from other funds	76,166	-	87	6,918	83,171
Interest	938	-	-	-	938
Other	8,731	-	-	-	8,731
Inventory	14,447	-	-	-	14,447
Prepaid items	25,527	-	-	-	25,527
Total assets	<u>\$ 732,824</u>	<u>\$ 326,666</u>	<u>\$ 200,913</u>	<u>\$ 153,965</u>	<u>\$ 1,414,368</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 53,292	\$ -	\$ -	\$ 10,294	\$ 63,586
Accrued expenses	56,044	-	-	-	56,044
Due to other funds	5,388	12,706	-	10,500	28,594
Total liabilities	<u>114,724</u>	<u>12,706</u>	<u>-</u>	<u>20,794</u>	<u>148,224</u>
Fund balances -					
Reserved for prepaid items	25,527	-	-	-	25,527
Reserved for debt service	-	-	200,913	-	200,913
Reserved for housing	-	-	-	80,058	80,058
Reserved for sales tax	-	313,960	-	-	313,960
Unreserved:					
Unreserved, undesignated	592,573	-	-	53,113	645,686
Total fund balances	<u>618,100</u>	<u>313,960</u>	<u>200,913</u>	<u>133,171</u>	<u>1,266,144</u>
Total liabilities and fund balances	<u>\$ 732,824</u>	<u>\$ 326,666</u>	<u>\$ 200,913</u>	<u>\$ 153,965</u>	<u>\$ 1,414,368</u>

The accompanying notes are an integral part of this statement.

CITY OF ST. MARTINVILLE

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets  
June 30, 2007

Total fund balances for governmental funds at June 30, 2007 \$1,266,144

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 305,962	
Buildings and improvements, net of \$1,777,126 accumulated depreciation	3,303,359	
Equipment and vehicles, net of \$886,396 accumulated depreciation	60,302	
Infrastructure, net of \$17,714 accumulated depreciation	<u>332,993</u>	4,002,616

General long-term debt of governmental activities is not payable from current resources and, therefore, not reported in the funds. This debt is:

Bonds payable and underlying accrued interest	\$(1,206,077)	
Compensated absences	(134,107)	
Deferred charges, net of \$22,496 accumulated amortization	<u>28,825</u>	(1,311,359)

Receivable recorded under the accrual basis of accounting:

Due from others	<u>32,250</u>
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Total net assets of governmental activities at June 30, 2007 \$3,989,651

The accompanying notes are an integral part of this statement.

## CITY OF ST. MARTINVILLE

Statement of Revenues, Expenditures, and Changes in Fund Balances-  
Governmental Funds  
For the Year Ended June 30, 2007

	General	Sales Tax Special Revenue	Debt Service	Nonmajor Funds	Total
<b>Revenues:</b>					
Taxes	\$ 86,041	\$ 922,693	\$ 82,096	\$ -	\$ 1,090,830
Licenses and permits	295,672	-	-	-	295,672
Intergovernmental	342,400	-	-	321,678	664,078
Charges for services	430,796	-	-	-	430,796
Fines and forfeits	75,104	-	-	-	75,104
Investment income	7,071	797	34,465	121	42,454
Donation income	370	-	-	-	370
Miscellaneous	44,610	-	-	-	44,610
Total revenues	<u>1,282,064</u>	<u>923,490</u>	<u>116,561</u>	<u>321,799</u>	<u>2,643,914</u>
<b>Expenditures:</b>					
Current -					
General government	507,730	13,627	300	-	521,657
Public safety	816,277	-	-	-	816,277
Public works	905,787	-	-	10,586	916,373
Recreation	214,999	-	-	-	214,999
Tourism	194,673	-	-	-	194,673
Urban redevelopment and housing	-	-	-	266,555	266,555
Debt service	-	-	1,058,516	-	1,058,516
Capital outlay	114,225	192,963	-	-	307,188
Total expenditures	<u>2,753,691</u>	<u>206,590</u>	<u>1,058,816</u>	<u>277,141</u>	<u>4,296,238</u>
Excess (deficiency) of revenues over expenditures	<u>(1,471,627)</u>	<u>716,900</u>	<u>(942,255)</u>	<u>44,658</u>	<u>(1,652,324)</u>
<b>Other financing sources (uses):</b>					
Operating transfers in	1,676,187	-	126,277	-	1,802,464
Operating transfers out	-	(851,026)	-	-	(851,026)
Total other financing sources (uses)	<u>1,676,187</u>	<u>(851,026)</u>	<u>126,277</u>	<u>-</u>	<u>951,438</u>
Net changes in fund balances	204,560	(134,126)	(815,978)	44,658	(700,886)
Fund balances, beginning	<u>413,540</u>	<u>448,086</u>	<u>1,016,891</u>	<u>88,513</u>	<u>1,967,030</u>
Fund balances, ending	<u>\$ 618,100</u>	<u>\$ 313,960</u>	<u>\$ 200,913</u>	<u>\$133,171</u>	<u>\$ 1,266,144</u>

The accompanying notes are an integral part of this statement.

**CITY OF ST. MARTINVILLE**

**Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2007**

Total net changes in fund balances at June 30, 2007 per Statement of Revenues, Expenditures and Changes in Fund Balances	<b>\$(700,886)</b>
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The change in net assets reported for governmental activities in the  
statement of activities is different because:

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of those assets is allocated over  
their estimated useful lives and reported as depreciation expense.

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$307,188	
Depreciation expense for the year ended June 30, 2007	<u>(257,509)</u>	49,679

Governmental funds record long-term debt in the General Long-  
Term Debt Account Group as opposed to recording debt activity in the  
fund financial statements. However, in the statement of activities, the  
debt and related expenses are reported.

Principal debt payments	\$966,000	
Accrued interest payable	15,868	
Amortization of deferred charges	(7,877)	
Compensated absences payable	<u>(13,520)</u>	960,471

Because governmental funds do not record fixed assets and accumulated  
depreciation, any assets disposed of affect the statement of revenues,  
expenditures, and changes in fund balances only with respect to the selling  
price. However, in the statement of activities, a gain or loss is shown  
on assets that are not fully depreciated, net of selling price.

(1,640)

Total changes in net assets at June 30, 2007 per Statement of Activities	<b><u>\$ 307,624</u></b>
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The accompanying notes are an integral part of this statement.

## CITY OF ST. MARTINVILLE

Statement of Net Assets  
Proprietary Fund  
June 30, 2007

## ASSETS

## Current assets:

Cash	\$ 354,930
Investments	237,220
Receivables:	
Accounts	1,227,743
Accrued interest	22,763
Inventory	137,188
Prepaid items	21,550
Deposits	12,000
Total current assets	<u>2,013,394</u>

## Noncurrent assets:

## Restricted assets -

Cash and interest-bearing deposits	310,022
Investments	474,426
Total restricted assets	<u>784,448</u>

## Capital assets -

Land	481,829
Buildings and improvements, net	309,700
Equipment, net	116,470
Sewer and water plant, net	6,295,259
Electric lines and meters, net	628,022
Total noncurrent assets	<u>7,831,280</u>
Total assets	<u>10,629,122</u>

## LIABILITIES

## Current liabilities:

Accounts payable	\$ 564,242
Accrued expenses	28,921
Compensated absences	43,309
Due to other funds	54,577
Revenue bonds payable	140,000
Capital lease payable	11,852
Interest payable	7,391
Customer deposits	309,267
Total current liabilities	<u>1,159,559</u>

## Noncurrent liabilities:

Revenue bonds payable	765,000
Capital lease payable	27,912
Total noncurrent liabilities	<u>792,912</u>
Total liabilities	<u>1,952,471</u>

## NET ASSETS

Invested in capital assets, net of related debt	7,026,516
Restricted for debt service	327,790
Unrestricted	1,322,345
Total net assets	<u>\$ 8,676,651</u>

The accompanying notes are an integral part of this statement.



# CITY OF ST. MARTINVILLE

## Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund For the Year Ended June 30, 2007

Operating revenues:	
Charges for services -	
Electricity	\$ 6,708,187
Water	579,799
Sewer	585,677
Miscellaneous	156,904
Operating grant revenue	56,000
Miscellaneous	35,541
Total operating revenues	<u>8,122,108</u>
Operating expenses:	
Cost of services rendered -	
Electricity	5,508,190
Water	426,711
Sewer	264,216
General administrative	306,590
Depreciation	338,548
Total operating expenses	<u>6,844,255</u>
Operating income	<u>1,277,853</u>
Nonoperating revenues (expenses):	
Investment income	43,628
Interest expense	(30,926)
Lease revenue	186,804
Loss on disposition	(1,012)
Total nonoperating revenues	<u>198,494</u>
Income before transfers	1,476,347
Transfers in	281,912
Transfers out	<u>(1,233,350)</u>
Change in net assets	524,909
Net assets, beginning	<u>8,151,742</u>
Net assets, ending	<u>\$ 8,676,651</u>

The accompanying notes are an integral part of this statement.

CITY OF ST. MARTINVILLE

Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2007

Cash flows from operating activities:	
Receipts from customers	\$ 8,076,692
Payments to suppliers	(6,384,684)
Payments to employees	(438,451)
Operating grant revenue	<u>56,000</u>
Net cash provided by operating activities	<u>1,309,557</u>
Cash flows from noncapital financing activities:	
Lease revenue	186,804
Increase in customer deposits, net of refunds	18,215
Transfers in	281,912
Transfers out	<u>(1,233,350)</u>
Net cash used by noncapital financing activities	<u>(746,419)</u>
Cash flows from capital and related financing activities:	
Purchase and construction of capital assets	(13,680)
Principal payments	(146,247)
Interest paid	<u>(33,090)</u>
Net cash used by capital and related financing activities	<u>(193,017)</u>
Cash flows from investing activities:	
Purchase of investments	(711,646)
Maturities of investments	669,794
Investment income	<u>43,628</u>
Net cash provided by investing activities	<u>1,776</u>
Net increase in cash and cash equivalents	371,897
Cash and cash equivalents, beginning of period	<u>293,055</u>
Cash and cash equivalents, end of period	<u>\$ 664,952</u>

(continued)

CITY OF ST. MARTINVILLE

Statement of Cash Flows  
Proprietary Fund (Continued)  
For the Year Ended June 30, 2007

Reconciliation of operating income to net cash provided by  
operating activities:

Operating income	\$ 1,277,853
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	338,548
Changes in current assets and liabilities:	
Decrease in accounts receivable	10,583
Decrease in inventory and prepaid items	68,703
Decrease in other assets	8,178
Decrease in accounts and other payables	(404,238)
Increase in due to other funds	9,929
Total adjustments	<u>31,703</u>
Net cash provided by operating activities	<u>\$ 1,309,556</u>

Reconciliation of cash and cash equivalents per statement  
of cash flows to the balance sheet:

Cash and cash equivalents, beginning of period -	
Cash - unrestricted	\$ 117,066
Cash - restricted	<u>175,989</u>
Total cash and cash equivalents	<u>293,055</u>
Cash and cash equivalents, end of period -	
Cash - unrestricted	354,930
Cash - restricted	<u>310,022</u>
Total cash and cash equivalents	<u>664,952</u>
Net increase	<u>\$ 371,897</u>

The accompanying notes are an integral part of this statement.

## CITY OF ST. MARTINVILLE, LOUISIANA

### Notes to Basic Financial Statements

#### (1) Summary of Significant Accounting Policies

The City of St. Martinville was incorporated on January 30, 1817. The City operates under the provisions of a special charter dated April 4, 1898 and operates under a Mayor-Board of Aldermen form of government.

The accompanying financial statements of the City of St. Martinville (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Although the City has the option to apply FASB pronouncements issued after that date, the City has chosen not to. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

##### A. Reporting Entity

This report includes all funds that are controlled by or dependent on the City of St. Martinville executive and legislative branches (the Mayor and Board of Aldermen). Control by or dependence on the City was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Based on the foregoing criteria, certain governmental organizations are not part of the City and are thus excluded from the accompanying financial statements. One such organization is the Housing Authority which is directed by an independent board and does not receive any funding, facilities, or direction from the City of St. Martinville.

##### B. Basis of Presentation

###### Government-Wide Financial Statements (GWFS)

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity, except the fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b)

## CITY OF ST. MARTINVILLE, LOUISIANA

### Notes to Basic Financial Statements (Continued)

grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

#### Fund Financial Statements

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The various funds of the City are classified into two categories: governmental and proprietary (enterprise). The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Several funds of the City are considered to be major funds and are described below:

#### Governmental Funds -

##### General Fund -

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

##### Sales Tax Fund -

This fund accounts for the receipts and disbursements of proceeds from the City's 1% sales and use tax levy. This tax is dedicated as described in Note 6.

## CITY OF ST. MARTINVILLE, LOUISIANA

### Notes to Basic Financial Statements (Continued)

#### Debt Service Fund -

The debt service fund is used to account for the accumulation of resources for, and the payment of general obligation refunding bonds, sales tax refunding bonds and certificates of indebtedness. Financing is provided by an ad valorem tax and transfers from the Sales Tax Fund and the Utility Fund.

#### Proprietary Fund -

#### Enterprise Fund -

The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are derived from charges for services. All other revenues are reported as nonoperating.

The City's nonmajor funds are described below:

#### Capital Projects Fund -

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

#### Section 8 Fund -

This fund is used to account for the receipt and subsequent expenditure of Section 8 housing funds received from the federal government.

#### C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

#### Measurement Focus

On the government-wide statement of net assets and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

## CITY OF ST. MARTINVILLE, LOUISIANA

### Notes to Basic Financial Statements (Continued)

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

#### Basis of Accounting

In the government-wide statement of net assets and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

D. Assets, Liabilities and Equity

Cash, interest-bearing deposits, and investments

For purposes of the Statement of Net Assets, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Inventories and prepaid items

Inventories held by both the General and Utility Funds are stated at the lower of cost (first-in, first-out) or market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. The major receivable balance for the governmental activities is sales and use taxes. Business-type activities report customer's utility service receivables as their major receivables. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading/billing and the end of the month are estimated and recorded at June 30, 2007. All receivables are shown net of an allowance account, as applicable. At June 30, 2007, the allowance amount associated with the receivables of the Utility Fund was \$55,291.



## CITY OF ST. MARTINVILLE, LOUISIANA

### Notes to Basic Financial Statements (Continued)

#### Bond discount/issuance costs

In the governmental funds, bond discounts and issuance costs are recognized in the current period. In the proprietary funds (and for governmental funds, in the government-wide financial statements), bond discounts and issuance costs are deferred and amortized over the terms of the bonds to which such discounts and costs apply.

#### Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, capital assets are capitalized at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. The City maintains a threshold level of \$1,000 for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	5-40 years
Equipment and vehicles	5-20 years
Wastewater and water plant	5-50 years
Electric lines and meters	7-50 years
Infrastructure	40 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Prior to the adoption of GASB 34, it was the City's policy not to record infrastructure; however, these assets, to the extent of available information, have been included in the financial statements valued at historical cost.

#### Restricted Assets

Restricted assets include cash, interest-bearing deposits, and investments of the proprietary fund that are legally restricted as to their use. The restricted assets are related to the revenue bond accounts.

## CITY OF ST. MARTINVILLE, LOUISIANA

### Notes to Basic Financial Statements (Continued)

#### Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of general obligation refunding, public improvement and sales tax refunding bonds, certificates of indebtedness and capital lease obligations.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

#### Unpaid Accumulated Vacation, Sick Pay, and Compensated Time

Employees of the City earn from 10 to 35 days of noncumulative vacation leave, depending upon length of service. Upon resignation or retirement, all unused vacation is forfeited.

Employees of the City earn from 10 to 35 days of sick leave each year, depending upon length of service. Sick leave may be accumulated. No sick leave is paid upon resignation. Upon retirement, unused accumulated sick leave is paid to the employee at the employee's current rate of pay.

#### Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

## CITY OF ST. MARTINVILLE, LOUISIANA

### Notes to Basic Financial Statements (Continued)

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

#### E. Budget and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Mayor submits, no later than 15 days prior to the beginning of each fiscal year, to the City Council a proposed operating budget.
2. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Mayor.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the City Council.

#### F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

(2) Cash, Interest-Bearing Deposits, and Investments

Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The City may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2007, the City has cash and interest-bearing deposits (book balances) totaling \$2,400,610.

These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2007 are secured as follows:

Bank balances	<u>\$ 2,556,765</u>
Federal deposit insurance	\$ 475,553
Pledged securities (Category 3)	<u>1,870,913</u>
Total federal insurance and pledged securities	<u>\$ 2,346,466</u>

Pledged securities in Category 3 include uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the City of St. Martinville's name. Even though the pledged securities are considered uncollateralized (Category 3) Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the City of St. Martinville that the fiscal agent has failed to pay deposited funds upon demand.

The City had unsecured deposits at December 31, 2006 and June 30, 2007 in the amounts of approximately \$310,000 and \$210,000, respectively.

CITY OF ST. MARTINVILLE, LOUISIANA  
Notes to Basic Financial Statements (Continued)

(3) Due from Other Governmental Units

Amounts due from other governmental units at June 30, 2007 consisted of the following:

General Fund:

Amount due from the State of Louisiana for video poker receipts for the months of May and June, 2007.	\$ 59,964
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Amount due from the Louisiana Department of Transportation for highway maintenance for the period of January, 2007 to June, 2007.	3,348
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Amount due from LAMATS for insurance licenses sold in fiscal year ended June 30, 2007.	41,384
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Amount due from Cox Cable for franchise tax for the year ended June 30, 2007.	3,109
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Amount due for swimming lessons in the month of June 2007.	2,732
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Amount due from the Housing Authority for payment in lieu of taxes for the year ended June 30, 2007.	21,848
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Amount due from the State of Louisiana for beer tax revenues earned during the quarter ended June 30, 2007	<u>4,026</u>
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Total general fund	<u>\$ 136,411</u>
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Section 8 fund:

Amount due from the U.S. Department of Housing and Urban Development for year end settlement.	<u>30,388</u>
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Total	<u>\$ 166,799</u>
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**CITY OF ST. MARTINVILLE, LOUISIANA**

**Notes to Basic Financial Statements (Continued)**

**(4) Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Balance 07/01/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/07</u>
<b>Governmental activities:</b>				
Land	\$ 305,962	\$ -	\$ -	\$ 305,962
Buildings and improvements	5,005,703	74,782	-	5,080,485
Equipment and vehicles	861,241	119,823	(34,366)	946,698
Infrastructure	203,499	147,208	-	350,707
Construction in progress	34,619	-	(34,619)	-
Totals	<u>6,411,024</u>	<u>341,813</u>	<u>(68,985)</u>	<u>6,683,852</u>
Less accumulated depreciation				
Buildings and improvements	(1,680,181)	(96,945)	-	(1,777,126)
Equipment and vehicles	(766,098)	(153,024)	32,726	(886,396)
Infrastructure	(10,174)	(7,540)	-	(17,714)
Total accumulated depreciation	<u>(2,456,453)</u>	<u>(257,509)</u>	<u>32,726</u>	<u>(2,681,236)</u>
 Governmental activities, capital assets, net	 <u>\$ 3,954,571</u>	 <u>\$ 84,304</u>	 <u>\$ (36,259)</u>	 <u>\$ 4,002,616</u>
 <b>Business-type activities:</b>				
Land	\$ 481,829	\$ -	\$ -	\$ 481,829
Buildings and improvements	1,039,491	-	-	1,039,491
Equipment	593,860	13,680	(38,988)	568,552
Equipment - capital lease	60,205	-	-	60,205
Wastewater and water plant	12,090,030	-	(5,785)	12,084,245
Electric lines and meters	2,035,998	-	-	2,035,998
Totals	<u>16,301,413</u>	<u>13,680</u>	<u>(44,773)</u>	<u>16,270,320</u>
Less accumulated depreciation				
Buildings and improvements	(693,995)	(35,797)	-	(729,792)
Equipment	(510,423)	(24,786)	37,975	(497,234)
Equipment - capital lease	(6,451)	(8,601)	-	(15,052)
Wastewater and water plant	(5,576,729)	(218,042)	5,785	(5,788,986)
Electric lines and meters	(1,356,654)	(51,322)	-	(1,407,976)
Total accumulated depreciation	<u>(8,144,252)</u>	<u>(338,548)</u>	<u>43,760</u>	<u>(8,439,040)</u>
 Business-type activities, capital assets, net	 <u>\$ 8,157,161</u>	 <u>\$ (324,868)</u>	 <u>\$ (1,013)</u>	 <u>\$ 7,831,280</u>

# CITY OF ST. MARTINVILLE, LOUISIANA

## Notes to Basic Financial Statements (Continued)

Depreciation expense was charged to governmental activities as follows:

<b>Governmental activities:</b>	
General government	\$ 32,618
Public safety	45,243
Public works	34,250
Culture and recreation	81,108
Tourism	64,290
	<u>\$ 257,509</u>
<b>Business-type activities:</b>	
Electric	\$ 96,485
Water	120,964
Wastewater	121,099
	<u>\$ 338,548</u>

### (5) Changes in Long-Term Debt

General obligation refunding, Sales tax refunding bonds and Certificates of indebtedness relate to governmental activities and are therefore paid from the debt service fund. The revenue bonds relate to business-type activities. Payments are made from the enterprise fund. Capital lease obligations are paid from both general and enterprise funds. In the past, payments on long-term debt pertained to the City's governmental and business-type activities were made by the debt service fund and enterprise fund, respectively.

	John Deere Lease	Govt. Activities Bonds	Revenue Bonds	Total
Long-term debt at July 1, 2006	\$ 51,010	\$ 2,160,000	\$ 1,040,000	\$ 3,251,010
Debt assumed	-	-	-	-
Debt retired	<u>(11,246)</u>	<u>(966,000)</u>	<u>(135,000)</u>	<u>(1,112,246)</u>
Long-term debt at June 30, 2007	<u>\$ 39,764</u>	<u>\$ 1,194,000</u>	<u>\$ 905,000</u>	<u>\$ 2,138,764</u>

# CITY OF ST. MARTINVILLE, LOUISIANA

## Notes to Basic Financial Statements (Continued)

Long-term debt at June 30, 2007 is comprised of the following:

### Governmental activities -

\$595,000 Sales Tax Refunding Bond Series 2003 dated April 1, 2004 due in annual installments of \$55,000 - \$120,000 through October 1, 2009; interest at 2.6 percent payable and secured by collection of the dedicated sales tax. \$ 340,000

\$612,000 General Obligation Refunding Bond Series 2005 dated March 1, 2005; due in annual installments of \$5,000 - \$73,000 through March 1, 2017; interest at 3.81 percent and secured by levy collection of ad valorem taxes. 602,000

\$303,000 Certificate of Indebtedness Series 2005 dated April 1, 2005; due in annual installments of \$25,000 - \$36,000 through April 1, 2015; interest at 3.95 percent and payable from and secured by a pledge and dedication of excess revenues. 252,000

Total governmental activity debt \$ 1,194,000

### Business type activity -

#### Revenue Bonds

\$2,395,682 Utilities Revenue Bonds dated September 21, 1993 due in annual installments of \$95,000 - \$160,000 through March 1, 2013; interest at 2.45 percent and secured by revenues of the water and light plant. \$ 905,000

#### Capital lease

\$60,205 capital lease on a John Deere backhoe due in monthly installments of \$1,138; from October 1, 2005 through September, 2010; interest rate of 5.25% 39,764

Total business-type activity debt \$ 944,764



# CITY OF ST. MARTINVILLE, LOUISIANA

## Notes to Basic Financial Statements (Continued)

The annual requirements to amortize all debt outstanding at June 30, 2007 are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 338,852	\$ 63,211	\$ 402,063
2009	343,489	53,668	397,157
2010	365,161	43,874	409,035
2011	244,262	35,348	279,610
2012	246,000	28,177	274,177
2013-2017	<u>601,000</u>	<u>51,802</u>	<u>652,802</u>
Totals	<u>\$ 2,138,764</u>	<u>\$ 276,080</u>	<u>\$ 2,414,844</u>

### (6) Dedication of Sales Tax Revenues

On June 25, 1975, the voters of the City of St. Martinville approved a one percent (1%) sales and use tax. The proceeds of this tax are to be used (after paying reasonable and necessary costs and expenses of collecting and administering the tax) for the purpose of constructing and acquiring capital improvements to the waterworks system of the City and for the purpose of establishing, acquiring, constructing, operating and maintaining solid waste disposal facilities, sewers and sewerage disposal work, drains and drainage facilities, and streets, sidewalks and bridges, including the land, equipment and furnishings thereof, or for any one or more of said purposes, said tax to be subject to funding into bonds by the City for the purpose of making capital improvements to the extent and in the manner permitted by the laws of Louisiana.

The proceeds of the tax are pledged to retire the sales tax refunding bonds described in Note 5. Sales and use tax revenues for the fiscal year ended June 30, 2007 were \$922,693.

Proceeds from the tax and all reasonable and necessary costs and expenses of collecting the tax are recorded in the Sales Tax Fund.

After payment of such costs and expenses (if not previously withheld by the Parish Sales Tax Collector), all money in the fund in excess of ten thousand (\$10,000) is to be used to provide for the establishment and maintenance of the Sales Tax Bond Sinking Fund sufficient in amount to pay the principal and interest on the bonds. Funds are to be transferred on the 20<sup>th</sup> day of each month from the Sales Tax Fund to the Sales Tax Bond Sinking Fund. Monthly transfers should be equal to one-sixth (1/6) of the interest falling due on the next interest payment date and one-twelfth (1/12) of the principal falling due on the next principal payment date.

Required monthly transfers were made however, these deposits were not done on a timely basis.

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

(7) Enterprise Fund Operations

Operations of the City of St. Martinville Utility System consist of an electrical system and of water and sewerage utilities. Operating expenses which are not directly chargeable to the individual departments are allocated to the departments on the basis of number of utility customers and managerial estimates.

Operating results of the individual utilities were as follows:

	Year Ended June 30,	Charges for Services	Miscellaneous Operating Revenues	Other Operating Expenses	Operating Income
Electric	2007	\$ 6,708,187	\$ 163,959	\$ (5,877,093)	\$ 995,053
Water utility	2007	\$ 579,799	\$ 14,171	\$ (573,725)	\$ 20,245
Wastewater system	2007	\$ 585,677	\$ 70,315	\$ (393,437)	\$ 262,555

At June 30, 2007, the City of St. Martinville was furnishing utility service to the following number of customers:

Electric customers	2,901
Water customers	2,685
Sewer customers	2,379

(8) Flow of Funds; Restrictions on Use - Utilities Revenues

Under the terms of the bond indenture on outstanding 1993 Water and Sewer Revenue Bonds, these bonds are secured and payable from a pledge of the income and revenues to be derived from the operation of the Water and Sewer Systems.

All revenues are to be deposited in the Utility Fund. All reasonable and necessary expenses of operating and maintaining the System are to be paid.

Funds are to be transferred on the 20<sup>th</sup> day of each month from the Utility Fund to the 1993 Utilities Revenue Bond Sinking Fund in an amount sufficient to retire the next payment of principal and/or interest.

Twenty-five percent (25%) of the required monthly transfer to the 1993 Utilities Revenue Bond Sinking Fund is to be transferred on the 20<sup>th</sup> day of each month from the Utility Fund to the 1993 Utilities Revenue Bond Debt Service Reserve Fund until the balance equals the highest principal and interest due within any one year (\$166,515).

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

After payments to the Sinking and Reserve Funds, five (5%) of the net revenues of the System collected in the prior month are to be transferred on the 20<sup>th</sup> day of each month from the Utility Fund to the 1993 Utilities System Renewal and Replacement Fund until the balance equals \$75,000.

Required monthly transfers were made however, these deposits were not done on a timely basis.

(9) Interfund Transactions

A. Receivables and Payables

Interfund receivables and payables consisted of the following at June 30, 2007:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
Governmental Funds:		
General Fund	\$ 77,784	\$ 7,005
Sales Tax Fund	-	12,706
Debt Service Fund	87	-
Enterprise Fund:		
Utility Fund	-	54,578
Nonmajor Funds	<u>6,918</u>	<u>10,500</u>
Total	<u>\$ 84,789</u>	<u>\$ 84,789</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances are expected to be paid within the next fiscal year.

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

B. Interfund transfers

Interfund transfers consisted of the following at June 30, 2007:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
Major Funds:		
Governmental Funds:		
General Fund	\$ 1,676,187	\$ -
Sales Tax Fund	-	851,026
Debt Service Fund	126,277	-
Enterprise Fund:		
Utility Fund	<u>281,912</u>	<u>1,233,350</u>
Total	<u>\$ 2,084,376</u>	<u>\$ 2,084,376</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund and (3) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(10) Ad Valorem Taxes

For the year ended June 30, 2007, taxes of 8.16 mills were levied on property with assessed valuations totaling \$18,113,401 and were dedicated as follows:

General corporate purposes	3.59 mills
Public Improvement	4.57 mills

Total taxes levied for the year ended June 30, 2007 were \$147,805. The taxes are levied and assessed in June of each year.

Tax bills are mailed in November, due on December 31, and are delinquent if unpaid as of January 1.

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

(11) Retirement Systems

Substantially all employees are covered under the Municipal Employees Retirement System of Louisiana except for policemen which are covered under the Municipal Police Employees Retirement System. Pertinent information relative to each plan follows:

A. Municipal Employees Retirement System of Louisiana:

Plan description:

The Municipal Employees Retirement System of Louisiana (the System) is a cost-sharing multiple-employer public employee retirement system (PERS) as established and provided for by R.S. 11:1731 of the Louisiana Revised Statutes (LRS). The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Employees of the City are members of Plan B.

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week, not participating in another public funded retirement system and under age sixty-five at date of employment. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System. Under Plan B, employees who retire at or after age sixty with at least ten years of credited service or at any age with at least thirty years of credited service are entitled to a retirement benefit, payable monthly for life, equal to two percent of their final compensation multiplied by the members' years of creditable service. Final compensation is the employee's monthly earnings during the thirty-six consecutive months or joined months that produce the highest average. The System also provides death and disability benefits. Benefits are established by state statute.

The Municipal Employees Retirement System of Louisiana issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Municipal Employees Retirement System of Louisiana, 7927 Office Park Boulevard, Baton Rouge, Louisiana 70809.

Funding policy:

Plan members are required to contribute 5.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the System's Board of Trustees. The City's contributions to the System for the years ended June 30, 2007, 2006 and 2005 were \$85,980, \$93,205 and \$89,078, respectively, which equal the required contributions for each year.

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

B. State of Louisiana - Municipal Police Employees Retirement System:

Plan description:

The Municipal Police Employees Retirement System (the System) is a cost-sharing multiple-employer public employee retirement system (PERS).

Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrest, providing they do not have to pay social security and providing they meet the statutory criteria. The City's police force is required to pay social security. Therefore, membership is elective at the option of the employee. Employees who retire at or after age fifty-five with twelve years of credited service, at or after age fifty with at least twenty years of credited service or at any age with at least twenty-five years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 3-1/3 percent of their average final compensation. Final compensation is the employees monthly earnings during the thirty-six consecutive months or joined months that produce the highest average. The System also provides death and disability benefits. Benefits are established by state statute.

The Municipal Police Employees Retirement System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Municipal Police Employees Retirement System, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809-7601.

Funding policy:

Plan members are required to contribute 7.50% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 15.50% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the System's Board of Trustees. The City's contributions to the System for the years ended June 30, 2007, 2006 and 2005 were \$24,148, \$16,931 and \$23,652, respectively, which equal the required contributions for each year.

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

(12) Restricted Assets - Utility Fund

Restricted assets were composed of checking and savings accounts at June 30, 2007 and were restricted as follows:

Capital additions - wastewater reserve	\$ 17,514
Capital additions - water reserve	129,660
Customers' deposits	302,857
Debt service	<u>334,417</u>
	<u>\$ 784,448</u>

(13) Contracts

In March, 1993, the City entered into a long-term contract with CLECO. This agreement provides for the purchase of the City's power and energy requirements from CLECO as well as the lease of the City's substation by CLECO. The original contract was amended in August, 1998 and October, 1999. The final amendment extends the contract date to December 31, 2007.

During the year ended June 30, 2007, the City purchased power from CLECO in the amount of \$5,049,879 of which \$535,180 was payable at year end. This amount has been accrued in the accompanying financial statements.

The facility lease payments entitle the City to \$1,800,000 over the term of the contract. Interest on the principal balance is computed using 7.25%. Upon execution of the second amendment, the City received \$500,000. Annually on November 1<sup>st</sup>, the City receives \$150,000. The remainder to be paid to the City was paid on November 1, 2006. As of June 30, 2007, the City has received \$1,800,000. The remainder of the contractual amount to be paid is \$0.

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

(14) Compensation of City Officials

A detail of compensation paid to City officials for the year ended June 30, 2007 follows:

Thomas Nelson, Mayor	<u>\$ 52,564</u>
City Council:	
Arthur Champ	\$ 7,200
Ronald Charles	7,200
Mike Fuselier	7,200
Craig Prosper	7,200
Dennis Williams	<u>7,200</u>
Total	<u>\$ 36,000</u>

(15) Risk Management

The City is exposed to risks of loss in the areas of general and auto liability, property hazards, health care, and workers' compensation. Those risks are handled by purchasing commercial insurance. There have been no significant reductions in insurance coverage during the current fiscal year, nor have settlements exceeded coverage in the past three years.

(16) On-behalf Payments

The City has recognized \$39,840 as a revenue and an expenditure for on-behalf salary payments made by the state of Louisiana.

(17) Contingencies

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representative. The City's management believes that any liability for reimbursement which may arise as a result of these audits would not be material.

The City of St. Martinville is a defendant in various lawsuits. One of the lawsuits pertains to a case with the Environmental Protection Agency (EPA). Outside counsel has advised the City that the potential liability ranges from \$200,000 to \$400,000 in this case. Because of the uncertainty of the amount/outcome of this case and the others in which the City is involved, no liability has been recorded as of June 30, 2007.



**REQUIRED  
SUPPLEMENTARY INFORMATION**

CITY OF ST. MARTINVILLE  
General Fund

Budgetary Comparison Schedule  
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Taxes:</b>				
Ad valorem	\$ 78,000	\$ 88,087	\$ 86,041	\$ (2,046)
<b>Licenses and permits:</b>				
Occupational, insurance, and liquor licenses	221,000	201,948	226,855	24,907
Franchise, fees and permits	67,000	72,084	68,817	(3,267)
Total licenses and permits	288,000	274,032	295,672	21,640
<b>Intergovernmental:</b>				
Federal and state grants	-	13,131	11,144	(1,987)
State revenue sharing	10,000	9,037	9,037	-
Beer tax	12,000	13,809	13,511	(298)
Video poker	125,000	234,684	262,172	27,488
Other	6,695	6,696	6,696	-
On behalf payments	32,400	-	39,840	39,840
Total intergovernmental	186,095	277,357	342,400	65,043
<b>Charges for services:</b>				
Garbage	305,000	346,793	363,866	17,073
Recreation	31,800	34,496	36,011	1,515
Tourism Center	30,000	28,475	30,919	2,444
Total charges for service	366,800	409,764	430,796	21,032
<b>Fines and forfeitures</b>	56,500	62,784	75,104	12,320
<b>Investment income</b>	2,500	3,254	7,071	3,817
<b>Donations income</b>	2,500	600	370	(230)
<b>Miscellaneous income</b>	15,000	56,010	44,610	(11,400)
<b>Total revenues</b>	995,395	1,171,888	1,282,064	110,176
<b>Expenditures:</b>				
General government	477,125	519,764	507,730	12,034
Public safety	936,017	793,612	816,277	(22,665)
Public works	881,279	973,896	905,787	68,109
Recreation	209,099	247,731	214,999	32,732
Tourism	200,705	198,512	194,673	3,839
Capital outlay	48,500	80,955	114,225	(33,270)
Total expenditures	2,752,725	2,814,470	2,753,691	60,779
<b>Deficiency of revenues over expenditures</b>	(1,757,330)	(1,642,582)	(1,471,627)	170,955

(continued)

CITY OF ST. MARTINVILLE  
General Fund

Budgetary Comparison Schedule (continued)  
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other financing sources:				
Transfers in	<u>1,892,554</u>	<u>2,005,761</u>	<u>1,676,187</u>	<u>(329,574)</u>
Net change in fund balances	135,224	363,179	204,560	(158,619)
Fund balance, beginning	<u>130,052</u>	<u>413,540</u>	<u>413,540</u>	<u>-</u>
Fund balance, ending	<u>\$ 265,276</u>	<u>\$ 776,719</u>	<u>\$ 618,100</u>	<u>\$ (158,619)</u>

CITY OF ST. MARTINVILLE  
Sales Tax Special Revenue Fund

Budgetary Comparison Schedule  
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 740,000	\$ 873,730	\$ 922,693	\$ 48,963
Investment income	500	841	797	(44)
Total revenues	<u>740,500</u>	<u>874,571</u>	<u>923,490</u>	<u>48,919</u>
Expenditures	<u>205,000</u>	<u>192,964</u>	<u>206,590</u>	<u>(13,626)</u>
Excess of revenues over expenditures	<u>535,500</u>	<u>681,607</u>	<u>716,900</u>	<u>35,293</u>
Other financing uses:				
Operating transfers out	<u>(439,544)</u>	<u>(972,962)</u>	<u>(851,026)</u>	<u>121,936</u>
Total other financing uses	<u>(439,544)</u>	<u>(972,962)</u>	<u>(851,026)</u>	<u>121,936</u>
Net change in fund balances	95,956	(291,355)	(134,126)	157,229
Fund balance, beginning	<u>301,830</u>	<u>448,086</u>	<u>448,086</u>	<u>-</u>
Fund balance, ending	<u>\$ 397,786</u>	<u>\$ 156,731</u>	<u>\$ 313,960</u>	<u>\$ 157,229</u>

## **OTHER SUPPLEMENTARY INFORMATION**

**NON MAJOR  
FUND DESCRIPTIONS**

**SECTION 8**

To account for the receipt and subsequent expenditure of Section 8 housing funds received from the federal government.

**CAPITAL PROJECTS FUND**

To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

CITY OF ST. MARTINVILLE

Balance Sheet -  
Nonmajor Governmental Funds  
June 30, 2007

	Section 8 Fund	Capital Projects Fund	Total
<b>ASSETS</b>			
Cash	\$ 58,346	\$ 58,313	\$ 116,659
Due from other funds	1,618	5,300	6,918
Due from other governmental agencies	<u>30,388</u>	<u>-</u>	<u>30,388</u>
Total assets	<u>\$ 90,352</u>	<u>\$ 63,613</u>	<u>\$ 153,965</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 10,294	\$ -	\$ 10,294
Accrued expenses	-	-	-
Due to other funds	<u>-</u>	<u>10,500</u>	<u>10,500</u>
Total liabilities	<u>10,294</u>	<u>10,500</u>	<u>20,794</u>
Fund balances:			
Reserved - housing	80,058	-	80,058
Unreserved, undesignated	<u>-</u>	<u>53,113</u>	<u>53,113</u>
Total fund balances	<u>80,058</u>	<u>53,113</u>	<u>133,171</u>
Total liabilities and fund balances	<u>\$ 90,352</u>	<u>\$ 63,613</u>	<u>\$ 153,965</u>

CITY OF ST. MARTINVILLE

Statement of Revenues, Expenditures, and Changes in Fund Balances-  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2007

	Section 8 Fund	Capital Projects Fund	Total
Revenues:			
Federal grant	\$ 264,328	\$ 57,350	\$ 321,678
Interest income	<u>121</u>	<u>-</u>	<u>121</u>
Total revenues	<u>264,449</u>	<u>57,350</u>	<u>321,799</u>
Expenditures:			
Current -			
Public works	-	10,586	10,586
Urban redevelopment and housing	<u>266,555</u>	<u>-</u>	<u>266,555</u>
Total expenditures	<u>266,555</u>	<u>10,586</u>	<u>277,141</u>
Excess (deficiency) of revenues over expenditures	<u>(2,106)</u>	<u>46,764</u>	<u>44,658</u>
Fund balances, beginning	<u>82,164</u>	<u>6,349</u>	<u>88,513</u>
Fund balances, ending	<u>\$ 80,058</u>	<u>\$ 53,113</u>	<u>\$ 133,171</u>



**COMPLIANCE  
INTERNAL CONTROL  
AND  
OTHER INFORMATION**

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

WEB SITE:  
[WWW.KCSRCPAS.COM](http://WWW.KCSRCPAS.COM)

The Honorable Thomas Nelson, Mayor  
and Members of the City Council  
City of St. Martinville, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Martinville, Louisiana, as of and for the year ended June 30, 2007, which collectively comprise the City of St. Martinville, Louisiana's basic financial statements and have issued our report thereon dated October 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of St. Martinville, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of St. Martinville, Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of St. Martinville, Louisiana's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of St. Martinville, Louisiana's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than remote likelihood that a misstatement of the City of St. Martinville, Louisiana's financial statements that is more than inconsequential will not be prevented or detected by the City of St. Martinville, Louisiana's internal control. We consider the control deficiency described in the accompanying schedule of current and prior year audit findings and management's corrective action as item 07-1 and 07-2 to be significant deficiencies in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of St. Martinville, Louisiana's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe items 07-1 and 07-2 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of St. Martinville, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and are described in the accompanying schedule of prior and current audit findings and management's corrective action plan as items 07-3 and 07-4.

The City's response to the findings identified in our audit is described in the accompanying schedule of prior and current year audit findings and management's corrective action plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Breaux Bridge, Louisiana  
October 15, 2007

CITY OF ST. MARTINVILLE, LOUISIANA  
Schedule of Prior and Current Year Audit Findings and  
Management's Corrective Action Plan  
Year Ended June 30, 2007

I. Prior Year Findings:

Internal Control Over Financial Reporting

06-1 – Inadequate Segregation of Accounting Functions

Finding: Due to the small number of employees, the City did not have adequate segregation of functions within the accounting system.

Status: Unresolved. See item 07-1.

Compliance

06-2 – Noncompliance with Louisiana Local Government Budget Act

Finding: Louisiana Revised Statutes (LSA-R.S.) 39:1301-1314, known as the Local Government Budget Act, requires that the budget be amended when total actual expenditures plus projected expenditures exceed the budgeted expenditures by five percent or more. The Sales Tax Special Revenue Fund had an unfavorable variance of approximately 25%.

Status: Unresolved. See item 07-3.

Management Letter Items

There were no findings that were required to be reported at June 30, 2006.

II. Current Year Findings and Management's Corrective Action Plan:

Internal Control Over Financial Reporting

07-1 – Inadequate Segregation of Accounting Functions

Finding: Due to the small number of employees, the City did not have adequate segregation of functions within the accounting system.

Management's Corrective Action Plan: Mr. Thomas Nelson, Mayor, determined that it is not cost effective to achieve complete segregation of duties within the accounting department. No plan is considered necessary.

(continued)

**CITY OF ST. MARTINVILLE, LOUISIANA**

**Schedule of Prior and Current Year Audit Findings and  
Management's Corrective Action Plan (continued)  
Year Ended June 30, 2007**

**07-2 – Inadequate Controls over Financial Statement Preparation**

**Finding:** The City does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

**Management's Corrective Action Plan:** Mayor Thomas Nelson has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

**Compliance**

**07-3 – Noncompliance with Louisiana Local Government Budget Act**

**Finding:** Louisiana Revised Statutes (LSA-R.S.) 39:1301-1314, known as the Local Government Budget Act, requires that the budget be amended when total actual expenditures plus projected expenditures exceed the budgeted expenditures by five percent or more. The Sales Tax Special Revenue Fund had an unfavorable variance of approximately 7%.

**Management's Corrective Action Plan:** Ms. Suzanne Blanchard, Secretary-Treasurer, intends to monitor the actual results compared to the budget. Budget amendments will be prepared as necessary to comply with Louisiana law. This plan shall be implemented immediately.

**07-4 – Noncompliance with Louisiana Fiscal Agency and Cash Management Laws**

**Finding:** The City of St. Martinville had under-secured deposits of approximately \$310,000 and \$210,000 at one financial institution at December 31, 2006 and June 30, 2007, respectively.

**Management's Corrective Action Plan:** Ms. Suzanne Blanchard, Secretary-Treasurer, intends to monitor securities pledged at each bank every month to ensure that the City is adequately secured at all times during the year. This plan shall be implemented immediately. The financial institution pledged adequate and appropriate securities in both January and July 2007 to properly secure the City's deposits.

**Management Letter Items**

There are no findings that are required to be reported at June 30, 2007.